



# Of Interest In Kentucky

Newsletter of the Department of Financial Institutions

Issue No. 13, Summer 2011

*"DFI's mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities."*

## DFI gives guidance to investment advisers

DFI's Division of Securities conducted Investment Adviser Town Meetings across the state in March that covered topics such as major exam findings in 2010; how to avoid violations; best practices in accounting and recordkeeping; fiduciary duty expectations; and licensing and registration

requirements. About 70 percent of Kentucky-registered investment advisers attended these optional Town Meetings.

The most important meeting topic regarded how to correctly fill out the new Part 2 of Form ADV. The form now requires clear, concise sentences

in a narrative format. It is intended to clearly disclose to clients all services provided, advisory fees and any conflicts of interest. In particular 19 items must be presented in a brochure form regarding the investment adviser firm along with a supplement that includes

*Continued on Page 2 ...*

## Protecting seniors

### DFI joins program to combat fraud

DFI has joined a national program designed to inform those who work with senior citizens to detect and prevent investment fraud.

The Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program will train Kentucky medical professionals and elder care workers to spot elderly patients who may be particularly vulnerable to financial abuse. Suspected investment fraud involving these at-risk patients



*Continued on Page 3 ...*



**Elizabeth Warren responds to a banker's question during a DFI event on April 18 in Louisville.**

## Event sparks banker dialogue

Banking leaders from across the state joined DFI Commissioner Charles Vice for an event on April 18 in Louisville titled, "A Day with the Commissioner." The event focused on a discussion of current issues critical to Kentucky bankers and was co-sponsored by the Federal Reserve Banks of St. Louis and Cleveland.

Elizabeth Warren, assistant to the President and special advisor to the Secretary of the Treasury on the Consumer Financial Protection Bureau, led a question and answer discussion. James Bullard, president

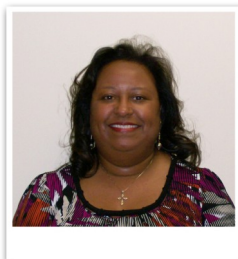
of the Federal Reserve Bank of St. Louis, gave the luncheon keynote address. Other distinguished speakers covered risk management issues and the commercial real estate sector. A panel discussed the future of community banking.

"Kentucky banks have performed well overall during the economic downturn, and it is important for them to prepare as the economy recovers," said Vice. "This event was meant to help bankers look forward and focus on how to handle future challenges."

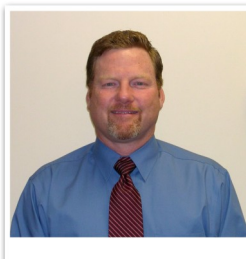
# Meet the staff

## Credit Union Branch restaffed

**Kim Carter** joined the Credit Union Branch on April 16. She previously worked at the Cabinet for Health & Family Services in the Department for Public Health for four years and in the Inspector General's office at CHFS for one year. Her prior experience also includes 10 years in auditing at two different banks. Kim earned her bachelor's in accounting at Hampton University in Virginia. She lives in Shelbyville.



**Jeff Roberts** returned to DFI, on an interim basis, on May 16 as a certified examiner in the Credit Union Branch. He previously worked at DFI from 1988 through 2004 performing bank and credit union exams. For six years, he was CEO of Beacon Credit Union. "It's good to be back and see some familiar faces." Jeff has a bachelor's degree in business administration from the University of Kentucky. He lives in Frankfort and has two children.



## Vice now treasurer of three boards

DFI Commissioner Charles Vice has been appointed treasurer of the board of the Conference of State Bank Supervisors (CSBS). CSBS is the nationwide organization for state bank supervision. Vice has been a member of the board of CSBS since 2009.

Complementing this role, Vice also will serve as treasurer

on the State Regulatory Registry LLC (SRR) Board of Managers as well as the Education Foundation of State Bank Supervisors (EFSBS). Vice's term on all three boards expires at the end of May 2013.

"I'm honored to serve as treasurer of these important organizations," said Vice. "Through effective regulation, we can protect consumers and strengthen the banking industry in Kentucky and nationally."



**Securities examiner Michelle Womack** discusses examination findings and ways to ensure advisers remain in compliance.

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## DFI gives guidance to investment advisers

information about each representative that works for the investment adviser firm. Kentucky investment advisers had to complete and submit the new Part 2 of Form ADV by close of business July 1 through the IARD system. Once DFI reviews the submitted Part 2, investment advisers must deliver copies to their clients.

Attendees also heard an update on the new federal change regard-

ing the assets under management threshold for investment advisers. The threshold for state regulation of investment advisers will increase from \$25 million to \$100 million in assets under management. This is tentatively scheduled to take effect in March 2012.

Another change may require investors' net worth statements to be updated. For an investor to be considered "accredited," the net worth requirement is still \$1 million, however personal residence is no longer included in this amount.

## Stewart reappointed to NASCUS board

Financial Institutions Division Director Kathy Stewart has been reappointed to the Board of Directors of the National Association of State Credit Union Supervisors (NASCUS). Stewart will serve a term through 2013. The NASCUS Board of Directors consists of nine individuals who work for state regulatory agencies.

Stewart also serves on the NASCUS Legislative and Regulatory Affairs Committee. NASCUS is a professional regulator's association with a mission to enhance state credit union supervision and advocate for a safe and sound credit union system. For more information, visit [www.nascus.org/index.htm](http://www.nascus.org/index.htm).

**The Kentucky Employees Charitable Campaign kicked off July 19. The 2011 state goal is \$1.27 million to help our fellow Kentuckians. Consider giving today! [www.kecc.org](http://www.kecc.org)**





## DFI joins new program to combat senior fraud

should be referred to state securities regulators and/or to Adult Protective Services (APS) professionals.

DFI has offered several presentations so far this year, most notably at the Local Elder Abuse Coordinating Councils conference in May and at the University of Kentucky Summer Series on Aging in June. The next presentation will be

during a conference on elder financial abuse in Lexington on Nov. 14.

The Investor Protection Trust ([www.investorprotection.org](http://www.investorprotection.org)), a non-profit organization devoted to investor education, is funding the program.

In Brief...

## Three have become certified examiners

Three of DFI's bank examiners have now achieved certified status: Karen Francis, Jim Stetson and Mark Hardin. To become certified, examiners must move through all five levels of the examiner classification, and then pass a rigorous test administered by the University of Kentucky DuPont Chair of Banking. The Depository Division currently has 13 certified examiners out of a staff of 38.

## Two appointed to DFI board

Gov. Steve Beshear appointed two members to the DFI board in June. Both will serve terms expiring Oct. 10, 2014.

Jerry D. Pyle, of Crofton, is the president of Hometown Finance Company Inc. He represents consumer finance or the industrial loan industry. The appointment replaces Robert I. Stafford Jr., whose term has expired.

Valerie C. Brown, of Bowling Green, is the chief executive officer of Service One Credit Union. She represents the credit union industry. The appointment replaces Alla Sue Holland, whose term has expired.

## 2010 Annual Report Available

The 2010 DFI annual report is available at [www.kfi.ky.gov/aboutus/annualreports.htm](http://www.kfi.ky.gov/aboutus/annualreports.htm).

The DFI annual report contains statistical and historical information regarding the financial services industry in Kentucky.

The 2010 report shows state financial institutions continue to remain stable despite economic hardships, thanks to strong capital positions coupled with sound risk management practices. In particular, state-chartered banks and credit unions increased assets, the Securities Division secured over \$1 million in restitution for consumers who were victims of securities fraud, and DFI achieved national mortgage accreditation in 2010.

## Mortgage has new regulations in effect

New administrative regulations for the mortgage industry took effect Dec. 3 in 808 KAR 12. These regulations are meant to clarify certain requirements related to DFI's implementation of Kentucky's mortgage law changes necessitated by the S.A.F.E. Act. Some of the areas addressed by the new regulations include, but are not limited to:

- Clarification of licensing and registration requirements for mortgage companies, mortgage brokers, loan originators, and loan processors;
- Clarification of record keeping requirements for mortgage companies and mortgage brokers, including a record retention schedule;
- Requirements for notification by a licensee of a change of address, change of agent for service of process, change of control; and
- The procedures for distributing and using funds from the Mortgage Fraud Prosecution Fund.

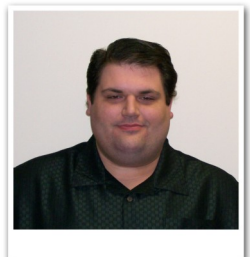
# Meet the staff

## DFI hires securities examiners

**Jason Ayers** became an examiner in the Securities Compliance Branch on Jan. 1. He graduated from Georgetown College in 2008 with a bachelor's in business administration. In 2007, he interned as a bank examiner. He has worked for Axa Advisors as a broker and financial adviser. More recently, he worked for Citizens Commerce National Bank. Jason is currently working on his master's in business administration at Indiana Wesleyan University. He lives in Lexington.



**Matt Randell** started work as an examiner in the Compliance Branch of the Division of Securities on Apr. 16. He lives in Louisville. Prior to joining DFI, he worked at Chegg.com textbooks warehouse in the logistics department. Matt received a bachelor's degree in business administration from the University of Louisville.



**Grant McAlister** also joined the Compliance Branch of the Division of Securities on Apr. 16. He is stationed in the Louisville field office. "I feel like this is a position that really makes a difference in people's lives," he said. Grant earned a master's degree in business administration and a bachelor's degree in history from Western Kentucky University. He lives in Bowling Green.



## DFI Contacts

**Main Office:**  
1025 Capital  
Center Drive,  
Suite 200  
Frankfort, KY  
40601  
502-573-3390  
800-223-2579  
Commissioner's  
Office Fax:  
502-573-8787

**Bowling Green  
Field Office:**  
400 East Main  
Bowling Green, KY  
42101  
270-746-7047  
Fax:  
270-746-7049

**Louisville  
Field Office:**  
9112 Leesgate Rd.  
Louisville, KY  
40222  
502-429-3290  
Fax:  
502-429-3295

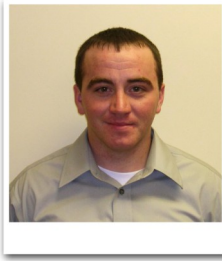
**Central/Eastern  
Field Office:**  
1025 Capital  
Center Drive  
Frankfort, KY  
40601  
502-573-3390  
Fax:  
502-573-0233

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Special thanks to DFI intern Sylvia Horlander for contributing to this issue. Sylvia lives in Bardstown and attends St. Catherine College.

# Meet the new staff members

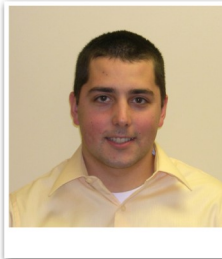
**James Slaton** joined DFI on Jan. 1 as an examiner in Bowling Green. "I'm looking forward to traveling throughout Kentucky and meeting people all over the state," he said. James graduated from Western Kentucky University with a bachelor's degree in finance and a master's of business administration. He is from Madisonville, where his family has been raising dark tobacco since 1791, before Kentucky was a state. James now lives in Madisonville.



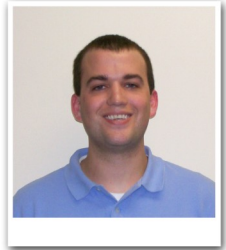
**Anetria Connell** became a member of DFI's legal staff on Feb. 1. She is most recently an associate with Goldberg & Simpson LLC, and prior to that, she practiced at Stoll, Keenon & Ogden PLLC. As a corporate transactional attorney at both firms, her practice included securities, real estate, banking and tax. While in law school, she clerked at the Securities and Exchange Commission as well as at the Department of Justice, Tax Division. She graduated from Carleton College with a bachelor's in international relations and graduated with honors from the George Washington University School of Law in Washington, D.C. She lives in Lexington with her two children.



**Anthony E. Mullins** began working at DFI on Feb. 16 as an examiner in the Nondepository Division. He earned a bachelor's degree in finance from the University of Kentucky with a minor in economics. He is working on his master's of business administration from Morehead. Anthony has worked at Salomon and Company Financial Services in investments and insurance. Previously he worked in merchandising at Coca-Cola Enterprises. Anthony is originally from northern Kentucky and currently lives in Frankfort.



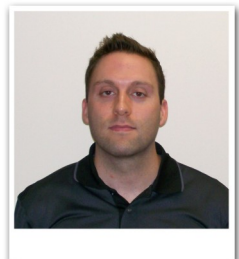
**Danny Hogan** joined DFI on Apr. 16 as a nondepository examiner in the Louisville district. In 2009, he obtained a bachelor's degree in finance from the University of Kentucky. Prior to joining DFI, Danny worked for the Lexington-Fayette Urban County Government. He recently moved to Louisville.



**Andrew Calvert** joined the Nondepository Institutions Division on Apr. 16 as an examiner in the Consumer Protection Branch. He worked at Whitaker Bank for eight years. While there, he gained experience as a teller, customer service rep, loan officer, and security officer. Andrew attends Kentucky State University, majoring in business administration and specializing in accounting. He lives in Frankfort.



**Brian Dickert** also joined the Bowling Green field office as a financial institutions examiner on Apr. 16. He received his bachelor's degree in accounting from California State University, Fullerton. He worked for the Auditor-Controller of Los Angeles County for a financial crimes unit performing criminal investigations. Brian was born in Elizabethtown, spent his adult life in California, and recently moved back to Kentucky.



**Anasuya (Anu) Desiraju** began working as a contract employee in the Technology Branch on May 16. She will work on the FIDO project team, concentrating on building Securities into the FIDO database. Anu has a computer science degree from Jawaharlal Nehru Technological University, Hyderabad, India.

